

MAHASKA COUNTY HOSPITAL  
(d/b/a MAHASKA HEALTH PARTNERSHIP)

INDEPENDENT AUDITOR'S REPORT  
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEARS ENDED JUNE 30, 2015 AND 2014

# MAHASKA HEALTH PARTNERSHIP

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MAHASKA HEALTH PARTNERSHIP  
Officials  
June 30, 2015

<u>Board of Trustees:</u>	<u>Address</u>	<u>Term Expires</u>
Becky Siefering, Chairman	Oskaloosa, Iowa	2018
Mary Sexton, Vice-Chairman	Rose Hill, Iowa	2020
David Langkamp, Secretary	Oskaloosa, Iowa	2016
Amy McGriff, Treasurer	New Sharon, Iowa	2016
Paul Swenson	Oskaloosa, Iowa	2020
Jim Hansen	Oskaloosa, Iowa	2018
Mike Grim	Oskaloosa, Iowa	2020
<u>Chief Executive Officer:</u>		
Jay Christensen	Oskaloosa, Iowa	
<u>Chief Financial Officer:</u>		
Jon Davis (Resigned March, 2015)	Oskaloosa, Iowa	
Omaira Heakin (Began June, 2015)	Oskaloosa, Iowa	

# Gronewold, Bell, Kyhnn & Co. P.C.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Mahaska Health Partnership  
Oskaloosa, Iowa

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Mahaska Health Partnership (Hospital) and its discretely presented component unit, Mahaska Health Partnership Foundation (Foundation) as of June 30, 2015 and 2014, and related notes to the financial statements, which collectively comprise the Hospital's financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Hospital's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Trustees  
Mahaska Health Partnership

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion the financial statements referred to above present fairly in all material respects, the financial position of Mahaska Health Partnership and Mahaska Health Partnership Foundation as of June 30, 2015 and 2014 and the changes in their financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Emphasis of a Matter**

As discussed in Note N to the financial statements, Mahaska Health Partnership adopted new accounting guidance related to Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment to GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedules of the Hospital's Proportionate Share of the Net Pension Liability and of Hospital Contributions (and the related notes) on pages 3 through 3d and on pages 32 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise Mahaska Health Partnership's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information on pages 1 and 37 through 52 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

To the Board of Trustees  
Mahaska Health Partnership

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 16, 2015 on our consideration of Mahaska Health Partnership's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

*Gunnwald, Rose, Kyhn & Co. P.C.*

Atlantic, Iowa  
November 16, 2015

Mahaska Health Partnership  
Management's Discussion and Analysis

Our discussion and analysis of Mahaska Health Partnership (Hospital's) financial performance provides an overview of the Hospital's financial activity for the fiscal years ended June 30, 2015, 2014, and 2013. Please read it in conjunction with the Hospital's financial statements, which begin on page 4.

Please note that the Foundation's activities have been included as a discretely presented component unit of the Hospital.

#### FINANCIAL HIGHLIGHTS

The Hospital's total assets and deferred outflows of resources increased approximately \$5,461,000 during fiscal year 2015. Net position, or total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources, decreased by approximately \$15,464,000 during fiscal 2015, a decrease of approximately 44.6 percent. See 3b for explanation of July 1, 2014 decrease.

The Hospital reported operating losses in 2015 (\$2,540,799) and 2014 (\$879,633). Losses in 2015 increased by \$1,661,166 from the loss reported in 2014. Operating losses in 2014 decreased by \$123,565 from the loss reported in 2013.

Nonoperating revenues increased by \$312,519 in 2015 compared to 2014.  
Nonoperating revenues decreased by \$1,467,827 in 2014 compared to 2013.

Excess expenses over revenues increased by \$848,647 in 2015 compared to 2014 and increased by \$1,344,262 in 2014 compared to 2013.

#### USING THIS ANNUAL REPORT

The Hospital's financial statements consist of three statements - a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows. These financial statements and related notes provide information about the activities of the Hospital, including resources held by the Hospital but restricted for specific purposes by contributors, grantors, or enabling legislation.

#### THE STATEMENT OF NET POSITION AND STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Our analysis of the Hospital finances begins on page 3a. One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Mahaska Health Partnership  
Management's Discussion and Analysis - Continued

These two statements report the Hospital's net position and changes in them. You can think of the Hospital's net position - the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources - as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

#### THE STATEMENT OF CASH FLOWS

The final required statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

#### THE HOSPITAL'S NET POSITION

The Hospital's net position is the difference between its assets, deferred outflows of resources, liabilities, and deferred inflows of resources reported in the Statement of Net Position on page 4. The Hospital's net position decreased by \$15,463,602 in 2015 and decreased by \$25,118 in 2014, as you can see from Table 1. Most of the FY2015 decrease was due to the required implementation of GASB Statement No. 68.

Table 1: Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

	2015	Not Restated	
		2014	2013
Assets:			
Current assets	\$ 18,956,877	\$ 17,230,555	\$ 14,833,773
Capital assets, net	39,284,816	40,593,077	40,526,354
Other noncurrent assets	5,133,829	6,374,272	5,105,249
Deferred Outflows of Resources	<u>6,282,941</u>	<u>--</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 69,658,463</u>	<u>\$ 64,197,904</u>	<u>\$ 60,465,376</u>
Liabilities:			
Long-term debt outstanding	\$ 22,770,760	\$ 23,015,000	\$ 16,374,894
Current liabilities	5,431,808	4,663,285	7,170,725
Net pension liability	<u>14,649,988</u>	<u>--</u>	<u>--</u>
Total liabilities	<u>\$ 42,852,556</u>	<u>\$ 27,678,285</u>	<u>\$ 23,545,619</u>
Deferred Inflows of Resources	<u>\$ 7,572,942</u>	<u>\$ 1,823,052</u>	<u>\$ 2,198,072</u>
Net Position:			
Invested in capital assets, net of related debt	\$ 16,242,350	\$ 17,567,023	\$ 20,529,000
Restricted expendable assets	1,000,000	1,000,000	1,000,000
Restricted nonexpendable permanent endowments	6,000	6,000	6,000
Unrestricted	<u>1,984,615</u>	<u>16,123,544</u>	<u>13,186,685</u>
Total net position	<u>\$ 19,232,965</u>	<u>\$ 34,696,567</u>	<u>\$ 34,721,685</u>



Mahaska Health Partnership  
Management's Discussion and Analysis - Continued

The Government Accounting Standards Board (GASB) required a change in the method of accounting for the Hospital's pension costs during the 2014-15 year. The requirement resulted in significant changes to: net position (\$14,589,837 decrease), long-term liabilities (\$16,821,737 increase), and created a deferred outflow of resources (\$2,231,900) as of July 1, 2014. See Notes J and N for an explanation of the change. Although the Hospital's financial statement reporting has changed significantly, the requirement will have no effect on the Hospital's actual operations.

### OPERATING RESULTS AND CHANGES IN THE HOSPITAL'S NET POSITION

In 2015, the Hospital's net position decreased by \$15,463,602, as shown in Table 2. This decrease is made up of various different components, primarily due to the implementation of GASB Statement No. 68.

Table 2: Operating Results and Changes in Net Position

	2015	2014	2013
		Not Restated	
Operating Revenues:			
Net patient service revenues	\$ 48,425,900	\$ 48,627,786	\$ 39,414,278
Other operating revenues	<u>1,905,972</u>	<u>1,733,785</u>	<u>598,992</u>
Total operating revenues	50,331,872	50,361,571	40,013,270
Operating Expenses:			
Salaries and benefits	34,453,779	33,811,256	26,704,290
Professional fees	1,264,236	1,175,483	1,101,375
Other operating expenses	13,663,843	13,211,168	11,236,696
Depreciation and amortization	<u>3,490,813</u>	<u>3,043,297</u>	<u>1,974,107</u>
Total operating expenses	52,872,671	51,241,204	41,016,468
Operating loss	( 2,540,799)	( 879,633)	( 1,003,198)
Nonoperating Revenues and Expenses:			
Property taxes	1,930,390	1,914,302	1,913,972
Investment income	9,930	13,642	19,024
Noncapital grants and contributions	6,727	7,298	306,403
Other nonoperating revenues and expenses, net	<u>( 780,013)</u>	<u>( 1,080,727)</u>	<u>82,943</u>
Nonoperating revenues, net	1,167,034	854,515	2,322,342
Excess of Revenues Over (Under) Expenses Before Capital Contributions	( 1,373,765)	( 25,118)	1,319,144
Capital Contributions	<u>500,000</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over Expenses (Expenses Over Revenues) and Increase (Decrease) in Net Position	( 873,765)	( 25,118)	1,319,144
Net Position Beginning of Year	<u>20,106,730</u>	<u>34,721,685</u>	<u>33,402,541</u>
Net Position End of Year	<u>\$ 19,232,965</u>	<u>\$ 34,696,567</u>	<u>\$ 34,721,685</u>

Mahaska Health Partnership  
Management's Discussion and Analysis - Continued

## BUDGETARY HIGHLIGHTS

The official county budget of the Hospital for the year ended June 30, 2015 was prepared on a modified accrual basis. The original budget of expenditures was approved at the meeting on February 24, 2014. Actual expenditures were lower than budget.

## OPERATING LOSSES

The first component of the overall change in the Hospital's net position is its operating income (loss) - generally, the difference between net patient service revenue and the expenses incurred to perform those services. In each of the past two years, the Hospital has reported an operating loss. Losses in 2015 increased by \$1,661,166 compared to the loss reported in 2014.

## NONOPERATING REVENUES AND EXPENSES

Nonoperating revenues consist primarily of property taxes levied by the Hospital, investment earnings and noncapital contributions. Total nonoperating revenues increased by \$312,519 compared to 2014.

## GRANTS, CONTRIBUTIONS, AND ENDOWMENTS

The Hospital receives both capital and operating grants from various state and federal agencies for specific programs. These are discussed in Note A of the financial statements. The Foundation received \$604,406 in 2015 in contributions to be used for the Hospital's construction project and hospice house funding.

## THE HOSPITAL'S CASH FLOWS

The Hospital's Statement of Cash Flows is an analytical tool useful in determining the short-term viability of the organization. The statement includes only cash inflows and outflows of cash and cash equivalents; it excludes transactions that do not directly affect cash receipts and payments (i.e., depreciation, bad debt write-offs). Total cash and cash equivalents at June 30, 2015 was \$6,734,875 compared to \$6,572,350 at June 30, 2014.

Mahaska Health Partnership  
Management's Discussion and Analysis - Continued

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets:

At the end of 2015, the Hospital had approximately \$39.3 million invested in capital assets, net of accumulated depreciation, as detailed in Note G to the financial statements. The total cost of the buildings, land improvements, and equipment placed in service during the year was approximately \$1.8 million.

### Debt:

At year-end, the Hospital had approximately \$23.0 million in notes payable outstanding. A detail of long term debt is provided in Note H to the financial statements. The Hospital borrowed additional debt to finance its building and renovation project. The total additional debt is approximately \$23 million.

## OTHER ECONOMIC FACTORS

The Hospital is dependent upon payments from Medicare, Medicaid and other third-party payers. Each of these payers has continued to put pressure on reimbursement levels paid to the hospital. Medicare represents nearly 37% of hospital revenues and presently reimburses the hospital approximately 55% of billed charges.

## CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Chief Executive Officer, at Mahaska Health Partnership, Oskaloosa, Iowa 52577.

MAHASKA HEALTH PARTNERSHIP  
Statements of Net Position  
June 30,

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

	<u>2015</u>	<u>Not Restated 2014</u>
Current Assets:		
Cash	\$ 2,129,500	\$ 1,073,128
Patient receivables, less allowances for doubtful accounts and for contractual adjustments (\$6,038,000 in 2015, \$4,781,000 in 2014)	12,955,754	12,241,427
Other receivables	239,674	540,668
Inventory	1,103,136	1,163,871
Prepaid expense	169,107	193,407
Succeeding year property tax receivable	1,808,000	1,807,000
Internally designated assets	551,706	211,054
Total current assets	<u>18,956,877</u>	<u>17,230,555</u>
Designated and Restricted Assets:		
Internally designated assets	3,605,375	4,499,222
Restricted assets	<u>1,006,000</u>	<u>1,006,000</u>
	4,611,375	5,505,222
Less amounts required to meet current liabilities	<u>551,706</u>	<u>211,054</u>
	4,059,669	5,294,168
Capital Assets:		
Depreciable capital assets	37,362,882	38,913,841
Non-depreciable capital assets	<u>1,921,934</u>	<u>1,679,236</u>
	39,284,816	40,593,077
Other Assets:		
Notes receivable	596,849	436,571
Other	<u>477,311</u>	<u>643,533</u>
	1,074,160	1,080,104
Total assets	63,375,522	64,197,904
Deferred Outflows of Resources - Pension	<u>6,282,941</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 69,658,463</u>	<u>\$ 64,197,904</u>

The accompanying notes are an integral part of these statements.

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

	<u>2015</u>	Not Restated <u>2014</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 244,240	\$ --
Accounts payable	550,608	860,261
Accrued employee compensation	2,768,752	2,475,646
Accrued payroll taxes and withholding	740,035	707,205
Accrued health insurance claims	280,000	200,000
Accrued interest payable	25,173	25,173
Estimated third-party payor settlements	823,000	395,000
Total current liabilities	<u>5,431,808</u>	<u>4,663,285</u>
Long-Term Liabilities:		
Revenue bonds and notes payable, less current maturities	22,770,760	23,015,000
Net pension liability	14,649,988	--
Total long-term liabilities	<u>37,420,748</u>	<u>23,015,000</u>
Total liabilities	42,852,556	27,678,285
Deferred Inflows of Resources	7,572,942	1,823,052
Net Position:		
Invested in capital assets, net of related debt	16,242,350	17,567,023
Restricted	1,006,000	1,006,000
Unrestricted	1,984,615	16,123,544
Total net position	<u>19,232,965</u>	<u>34,696,567</u>
 Total liabilities, deferred inflows of resources, and net position	 <u>\$ 69,658,463</u>	 <u>\$ 64,197,904</u>

MAHASKA HEALTH PARTNERSHIP  
Statements of Revenues, Expenses and Changes in Net Position  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Revenue:		
Net patient service revenue	\$ 48,425,900	\$ 48,627,786
Other revenue	<u>1,905,972</u>	<u>1,733,785</u>
Total revenue	50,331,872	50,361,571
Expenses:		
Nursing service	11,347,901	10,851,734
Other professional service	26,196,904	25,111,949
General service	2,947,005	3,157,866
Fiscal and administrative service	8,890,048	9,076,358
Provision for depreciation	3,343,991	2,896,475
Amortization	<u>146,822</u>	<u>146,822</u>
Total expenses	<u>52,872,671</u>	<u>51,241,204</u>
Operating Loss	( 2,540,799)	( 879,633)
Non-Operating Revenue (Expenses):		
County taxes	1,930,390	1,914,302
County subsidy - New Directions	226,893	93,153
Investment income	9,930	13,642
Noncapital contributions	6,727	7,298
Rental income	--	72
Interest expense	( 1,006,906)	( 551,255)
Loss on disposal of assets	<u>--</u>	<u>( 622,697)</u>
Non-operating revenue, net	<u>1,167,034</u>	<u>854,515</u>
Excess of Expenses Over Revenues Before Capital Contribution	( 1,373,765)	( 25,118)
Capital Contributions	<u>500,000</u>	<u>--</u>
Excess of Expenses Over Revenues and Decrease in Net Position	( 873,765)	( 25,118)
Net Position Beginning of Year, as Restated (Note N)	<u>20,106,730</u>	<u>34,721,685</u>
Net Position End of Year	<u>\$ 19,232,965</u>	<u>\$ 34,696,567</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP  
Statements of Cash Flows  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Cash flows from operating activities:		
Cash received from patients and third-party payors	\$ 48,424,515	\$ 44,536,287
Cash paid to suppliers	( 21,441,410)	( 20,681,698)
Cash paid to employees	( 27,966,504)	( 26,897,723)
Other revenue	<u>1,905,972</u>	<u>1,733,785</u>
Net cash provided by (used in) operating activities	922,573	( 1,309,349)
Cash flows from non-capital financing activities:		
County tax revenue and subsidy	2,157,283	2,007,455
Noncapital grants and contributions	<u>6,727</u>	<u>7,298</u>
Net cash provided by non-capital financing activities	2,164,010	2,014,753
Cash flows from capital and related financing activities:		
Capital expenditures	( 2,089,318)	( 5,241,764)
Change in other assets	19,400	( 763,511)
Capital grants and contributions	500,000	--
Interest paid	( 1,006,906)	( 622,291)
Principal paid on long-term debt	--	( 21,575,844)
Proceeds on notes payable	<u>--</u>	<u>25,992,058</u>
Net cash used in capital and related financing activities	( 2,576,824)	( 2,211,352)
Cash flows from investing activities:		
Investment income	9,930	13,642
Change in designated and restricted assets	--	1,263,565
Loans granted for physician recruitment	( 357,164)	( 268,204)
Rental income	<u>--</u>	<u>72</u>
Net cash provided by (used in) investing activities	<u>( 347,234)</u>	<u>1,009,075</u>
Net increase (decrease) in cash and cash equivalents	162,525	( 496,873)
Cash and cash equivalents at beginning of year	<u>6,572,350</u>	<u>7,069,223</u>
Cash and cash equivalents at end of year	<u>\$ 6,734,875</u>	<u>\$ 6,572,350</u>
Reconciliation of cash and cash equivalents to the statements of net position:		
Cash in current assets	\$ 2,129,500	\$ 1,073,128
Cash and cash equivalents in designated and restricted assets	<u>4,605,375</u>	<u>5,499,222</u>
Total cash and cash equivalents	<u>\$ 6,734,875</u>	<u>\$ 6,572,350</u>

(continued next page)

MAHASKA HEALTH PARTNERSHIP  
Statements of Cash Flows - Continued  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Reconciliation of operating loss to net cash provided by (used in) operating activities:		
Operating loss	\$( 2,540,799)	\$( 879,633)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities		
Provision for depreciation	3,343,991	2,896,475
Amortization	343,708	221,835
Changes in assets and liabilities		
Accounts receivable	( 413,333)	( 4,198,479)
Inventory	60,735	( 41,473)
Prepaid expense	24,300	( 28,847)
Deferred outflows of resources	( 4,051,041)	--
Net pension liability	( 2,171,749)	--
Accounts payable, trade	( 256,065)	209,420
Accrued employee compensation	293,106	257,258
Accrued payroll taxes and withholding	32,830	147,115
Accrued health insurance claims	80,000	--
Estimated third-party payor settlements	428,000	489,000
Deferred inflows of resources	<u>5,748,890</u>	<u>( 382,020)</u>
Total adjustments	<u>3,463,372</u>	<u>( 429,716)</u>
Net cash provided by (used in) operating activities	<u>\$ 922,573</u>	<u>\$( 1,309,349)</u>

The accompanying notes are an integral part of these statements.



MAHASKA HEALTH PARTNERSHIP FOUNDATION  
Balance Sheets  
June 30,

ASSETS

	<u>2015</u>	<u>2014</u>
Assets:		
Cash	\$ 554,870	\$ 962,772
Equity securities	<u>597,646</u>	<u>91,319</u>
Total assets	<u>\$ 1,152,516</u>	<u>\$ 1,054,091</u>

LIABILITIES AND NET ASSETS

Net Assets:		
Restricted	<u>\$ 1,152,516</u>	<u>\$ 1,054,091</u>
Total liabilities and net assets	<u>\$ 1,152,516</u>	<u>\$ 1,054,091</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP FOUNDATION  
Statements of Activities and Changes in Net Assets  
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Revenues and Other Support:		
Restricted contributions	\$ 604,406	\$ 124,486
Investment income	<u>10,020</u>	<u>4,095</u>
Total revenue	614,426	128,581
Expenses:		
Transfers to Mahaska Health Partnership	<u>514,279</u>	<u>1,950</u>
Total expenses	<u>514,279</u>	<u>1,950</u>
Operating Income	100,147	126,631
Change in Unrealized Gains and Losses on Investments, Other Than Trading Securities	<u>( 1,722)</u>	<u>10,447</u>
Change in Net Assets	98,425	137,078
Net Assets Beginning of Year	<u>1,054,091</u>	<u>917,013</u>
Net Assets End of Year	<u>\$ 1,152,516</u>	<u>\$ 1,054,091</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP FOUNDATION  
Statements of Cash Flows  
Year ended June 30,

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities:		
Cash received through contributions	\$ 106,286	\$ 122,173
Cash paid to suppliers and Hospital	<u>( 514,279)</u>	<u>( 1,950)</u>
Net cash provided by (used in) operating activities	( 407,993)	120,223
Cash flows from investing activities:		
Purchase of equity securities	( 9,929)	( 4,004)
Investment income	<u>10,020</u>	<u>4,095</u>
Net cash provided by investing activities	<u>91</u>	<u>91</u>
Net increase (decrease) in cash and cash equivalents	( 407,902)	120,314
Cash and cash equivalents at beginning of year	<u>962,772</u>	<u>842,458</u>
Cash and cash equivalents at end of year	<u>\$ 554,870</u>	<u>\$ 962,772</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	\$ 100,147	\$ 126,631
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Contributions received as securities	( 498,120)	( 2,313)
Investment income	<u>( 10,020)</u>	<u>( 4,095)</u>
Net cash provided by (used in) operating activities	<u>\$( 407,993)</u>	<u>\$ 120,223</u>

The accompanying notes are an integral part of these statements.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES

1. Reporting Entity

The organization includes a hospital foundation and is a critical access county hospital with related healthcare ancillary, outpatient, physicians clinics and psychiatric services. The Hospital is organized under Chapter 347 of the Code of Iowa, accordingly is a political subdivision of the State of Iowa, and is therefore exempt from federal and state income taxes. It is governed by a seven member board of trustees elected for six year terms. The Hospital has considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Hospital are such that exclusion would cause the Hospital's financial statements to be misleading or incomplete. The criteria for determining financial accountability include: appointing a majority of an organization's governing body, and (a) the Hospital's ability to impose its will on that organization, or (b) the potential for the organization to provide benefits to or impose financial burdens on the Hospital.

The Mahaska Health Partnership Foundation (Foundation) has been identified as a legally separate component unit of the Hospital, and accordingly, the financial statements of the Foundation have been included as a discretely presented component unit on pages 8 through 10. The Foundation is a not-for-profit corporation exempt from income tax under Section 501 of the Internal Revenue Code. It was established to provide financial support to the Hospital. The Foundation's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2012, 2013, and 2014 are subject to examination by the IRS, generally for three years after they were filed.

2. Basis of Presentation

The Statement of Net Position displays the Hospital's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position in a balance sheet format. Net position is reported in three categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position:*

- a. *Nonexpendable* - Nonexpendable net position is subject to externally imposed stipulations which require them to be maintained permanently by the Hospital.
- b. *Expendable* - Expendable net position results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

*Unrestricted net position* consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

When both restricted and unrestricted net position is available for use, generally it is the Hospital's policy to use restricted net position first.

3. Measurement Focus and Basis of Accounting

Measurement focus refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles. Revenues are recognized when earned and expenses are recorded when the liability is incurred.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, including designated and restricted assets.

6. Accounts Receivable

Accounts receivable are shown at the amount expected to be collected after determining the allowance for doubtful accounts based on an aging of all the individual patient balances.

7. Inventory Valuation

Inventory is valued at the lower of cost (first-in, first-out method) or market.

8. Investments

Investments are reported at fair value except for short-term highly liquid investments that have a remaining maturity at the time they are purchased of one year or less. These investments are carried at amortized cost. Interest, dividends, and gains and losses, both realized and unrealized, on investments are included in non-operating revenue when earned, unless restricted by donor or law.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

9. Designated and Restricted Assets

Internally designated assets consist primarily of funds designated by the Board of Trustees for capital acquisitions and related debt payments. The Board retains control over these funds, and may, at its discretion, subsequently use them for other purposes. Restricted assets include donor restricted gifts, and funds whose use is limited by law or contractual agreements.

10. Capital Assets

The Hospital's capital assets are reported at historical cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. Capital assets with lives in excess of three years and cost in excess of \$5,000 are capitalized. These capital assets, other than land, are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation using their estimated useful lives (fifteen to fifty years for buildings and land improvements and five to twenty years for equipment).

11. Costs of Borrowing

Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The Hospital capitalized interest cost of \$ - 0 - in 2015 (\$96,209 in 2014).

12. Deferred Outflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension expense and contributions from the employer after the measurement date but before the end of the employer's reporting period.

13. Compensated Absences

Hospital employees earn paid time off hours at varying rates depending on years of service. Paid time off consists of holiday, vacation and sick time and accumulates to a maximum of 420 hours. Any excess over 420 hours accumulated by the employee's anniversary date is lost. The computed amount of paid time off benefits earned by year end is recorded as part of accrued employee compensation.

14. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources in the Statement of Net Position consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

15. Statement of Revenues, Expenses and Changes in Net Position

For purposes of display, transactions deemed by management to be ongoing, major or central to the provision of health care services are reported as operating revenues and expenses. Property tax levied to finance the current year is included as non-operating revenues and peripheral or incidental transactions are reported as non-operating revenues and expenses.

16. Net Patient Service Revenue

The Hospital has agreements with third-party payors that provide for payments to the Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

17. Property Tax Receivable

Property tax receivable is recognized on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Trustees is required to certify the budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred and will not be recognized as revenue until the year for which it is levied.

18. Grants and Contributions

Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

19. Endowments

Endowments are provided to the Hospital on a voluntary basis by individuals and private organizations. *Permanent* endowments require that the principal or corpus of the endowment be retained in perpetuity. If a donor has not provided specific instructions, law permits the Board of Trustees to authorize for expenditure the net appreciation of the investments of endowment funds, as discussed in Note C.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE A - REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES - Continued

20. Restricted Resources

Use of restricted or unrestricted resources for individual projects is determined by the Hospital Board of Trustees based on the facts regarding each specific situation.

21. Charity Care

The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Revenue from services to these patients is automatically recorded in the accounting system at the established rates, but the Hospital does not pursue collection of the amounts. The resulting adjustments are recorded as bad debts or charity service depending on the timing of the charity determination.

NOTE B - THIRD-PARTY PAYOR ARRANGEMENTS

A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicaid - Inpatient services and most outpatient services related to program beneficiaries are paid based on a cost reimbursement methodology. The Hospital is reimbursed for the cost of services at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the fiscal intermediaries. The Hospital's Medicare and Medicaid cost reports have been audited and finalized by the fiscal intermediaries through June 30, 2011. However, finalized cost reports are subject to re-opening by the intermediaries within three years of the date of finalization. Outpatient services not paid based on a cost reimbursement methodology are paid based on a prospectively determined fee schedule.

The Hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.



MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE C - ENDOWMENTS AND RESTRICTED NET POSITION

Restricted expendable assets are available for the following purposes:

	<u>2015</u>	<u>2014</u>
<u>Hospital</u>		
Long-term debt	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>
<u>Foundation</u>		
Capital acquisitions	\$ <u>1,152,516</u>	\$ <u>1,054,091</u>

Following is a summary of the use of temporarily restricted assets during the year ended June 30:

	<u>2015</u>	<u>2014</u>
<u>Foundation</u>		
Purchase of capital assets and administrative expenses	\$ <u>514,279</u>	\$ <u>1,950</u>

Unless the contributor provides specific instructions, law permits the Hospital Board of Trustees to authorize for expenditure the net appreciation (realized and unrealized) of the investments in its endowments. When administering its power to spend net appreciation, the Board of Trustees is required to consider the Hospital's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends, and general economic conditions. Any net appreciation that is spent is required to be spent for the purposes designated by the contributor.

The Board of Trustees has chosen to spend the investment income and appreciation on the endowment fund while maintaining adequate amounts of earnings to maintain the principal original value. Any decreases in principal value will be replaced by retaining income in future years to return the principal to its original value.

Restricted nonexpendable assets as of June 30, 2015 and 2014 represent the principal amounts of permanent endowments, restricted to investment in perpetuity. Investment earnings from the Hospital's permanent endowments are expendable to support these programs as established by the contributor:

	<u>2015</u>	<u>2014</u>
<u>Hospital</u>		
Purchase of capital assets	\$ <u>6,000</u>	\$ <u>6,000</u>

NOTE D - DEPOSITS AND INVESTMENTS

The Hospital's deposits at June 30, 2015 were entirely covered by federal depository insurance or the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds. Investments are stated as indicated in Note A.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE D - DEPOSITS AND INVESTMENTS - Continued

The Hospital is authorized by statute to invest public funds in obligations of the United States Government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; common stocks; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The Foundation has no limitation to its type of investments.

Designated assets remain under the control of the Board of Trustees, which may, at its discretion, later use the funds for other purposes.

<u>Hospital</u>	<u>2015</u>	<u>2014</u>
Operations	\$ 2,891,135	\$ 3,784,982
Employee health insurance	<u>714,240</u>	<u>714,240</u>
	<u>\$ 3,605,375</u>	<u>\$ 4,499,222</u>

The composition of designated and restricted assets is as follows:

	<u>2015</u>	<u>2014</u>
Internally Designated Assets:		
Cash and cash equivalents	\$ <u>3,605,375</u>	\$ <u>4,499,222</u>
	<u>\$ 3,605,375</u>	<u>\$ 4,499,222</u>

Restricted Assets:

Hospital

Cash and cash equivalents	\$ 1,000,000	\$ 1,000,000
U.S. treasury obligations	<u>6,000</u>	<u>6,000</u>
	<u>\$ 1,006,000</u>	<u>\$ 1,006,000</u>

Foundation

Cash and cash equivalents	\$ 554,870	\$ 962,772
Equity securities	<u>597,646</u>	<u>91,319</u>
	<u>\$ 1,152,516</u>	<u>\$ 1,054,091</u>

Interest rate risk. The Hospital's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the Hospital.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS

The Hospital's investments are reported at fair value in the accompanying balance sheets. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The fair value measurement accounting literature establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs are unobservable and have the lowest priority. The Hospital uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Hospital measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. No Level 2 inputs were available to the Hospital, and Level 3 inputs were only used when Level 1 or Level 2 inputs were not available.

*Level 1 Fair Value Measurements*

The fair value of equity securities is based on quoted net asset values of the shares held by the Hospital at year-end.

*Level 3 Fair Value Measurements*

The notes receivable are not actively traded and significant other observable inputs are not available. The fair value of the notes receivable is based on contract value. Management believes these values approximate current fair value.

The following tables set forth, by level within the fair value hierarchy, the Hospital's investments at fair value as of June 30, 2015 and 2014:

		Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2015</u>	<u>Fair Value</u>		
<u>Hospital</u>			
U.S. treasury obligations	\$ 6,000	\$ 6,000	\$ --
Notes receivable	<u>596,849</u>	<u>--</u>	<u>596,849</u>
	<u>\$ 602,849</u>	<u>\$ 6,000</u>	<u>\$ 596,849</u>
<u>Foundation</u>			
Equity securities	<u>\$ 597,646</u>	<u>\$ 597,646</u>	<u>\$ --</u>

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE E - FAIR VALUE MEASUREMENTS - Continued

		Fair Value Measurements at Reporting Date Using:	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2014</u>	<u>Fair Value</u>		
<u>Hospital</u>			
U.S. treasury obligations	\$ 6,000	\$ 6,000	\$ --
Notes receivable	<u>436,571</u>	<u>--</u>	<u>436,571</u>
	<u>\$ 442,571</u>	<u>\$ 6,000</u>	<u>\$ 436,571</u>
<u>Foundation</u>			
Equity securities	<u>\$ 91,319</u>	<u>\$ 91,319</u>	<u>\$ --</u>

The following tables reconcile the beginning and ending balances of fair value measurements for the Hospital's level 3 assets using unobservable inputs for the years ended June 30, 2015 and 2014:

June 30, 2015

Beginning balance	\$ 436,571
Notes receivable advanced	357,164
Amortization of notes receivable	<u>( 196,886)</u>
Ending balance	<u>\$ 596,849</u>

June 30, 2014

Beginning balance	\$ 243,380
Notes receivable advanced	268,204
Amortization of notes receivable	<u>( 75,013)</u>
Ending balance	<u>\$ 436,571</u>

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE F - ACCOUNTS RECEIVABLE AND CONCENTRATION OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables from patients and third-party payors at June 30, 2015 and 2014, was as follows:

	<u>2015</u>	<u>2014</u>
Receivable from:		
Patients	\$ 2,818,639	\$ 3,362,628
Medicare	5,220,874	5,127,806
Medicaid	3,678,163	1,890,110
Blue Cross	3,833,808	2,828,670
Other commercial insurance carriers	1,753,641	1,828,513
Unbilled	1,555,414	1,810,878
Others	<u>133,215</u>	<u>173,822</u>
	18,993,754	17,022,427
Less allowances for doubtful accounts and contractual adjustments	<u>6,038,000</u>	<u>4,781,000</u>
	<u>\$ 12,955,754</u>	<u>\$ 12,241,427</u>

NOTE G - CAPITAL ASSETS

Capital assets, additions, disposals and balances for the years ended June 30, 2015 and 2014 were as follows:

<u>Cost</u>	<u>Balance 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2015</u>
Land Improvements	\$ 2,446,030	\$ 430,535	\$ --	\$ 2,876,565
Buildings	41,563,169	21,679	--	41,584,848
Major Movable Equipment	<u>23,658,828</u>	<u>1,340,818</u>	<u>--</u>	<u>24,999,646</u>
	67,668,027	1,793,032	--	69,461,059
<u>Depreciation</u>				
Land Improvements	1,001,603	154,526	--	1,156,129
Buildings	16,039,114	1,602,178	--	17,641,292
Major Movable Equipment	<u>11,713,469</u>	<u>1,587,287</u>	<u>--</u>	<u>13,300,756</u>
Total Depreciation	<u>28,754,186</u>	<u>3,343,991</u>	<u>--</u>	<u>32,098,177</u>
Depreciable Capital Assets, Net	<u>\$ 38,913,841</u>	<u>\$( 1,550,959)</u>	<u>\$ --</u>	<u>\$ 37,362,882</u>
Construction in Progress	\$ 1,120,500	\$ 869,447	\$ 626,749	\$ 1,363,198
Land	<u>558,736</u>	<u>--</u>	<u>--</u>	<u>558,736</u>
Total Non-depreciable Capital Assets	<u>\$ 1,679,236</u>	<u>\$ 869,447</u>	<u>\$ 626,749</u>	<u>\$ 1,921,934</u>

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE G - CAPITAL ASSETS - Continued

<u>Cost</u>	<u>Balance 2013</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance 2014</u>
Land Improvements	\$ 2,298,398	\$ 147,632	\$ --	\$ 2,446,030
Buildings	31,028,334	12,067,300	1,532,465	41,563,169
Major Movable Equipment	<u>13,192,057</u>	<u>10,467,410</u>	<u>639</u>	<u>23,658,828</u>
	46,518,789	22,682,342	1,533,104	67,668,027
<u>Depreciation</u>				
Land Improvements	872,332	129,271	--	1,001,603
Buildings	15,077,644	1,507,025	545,555	16,039,114
Major Movable Equipment	<u>10,453,578</u>	<u>1,260,179</u>	<u>288</u>	<u>11,713,469</u>
Total Depreciation	<u>26,403,554</u>	<u>2,896,475</u>	<u>545,843</u>	<u>28,754,186</u>
Depreciable Capital Assets, Net	<u>\$ 20,115,235</u>	<u>\$ 19,785,867</u>	<u>\$ 987,261</u>	<u>\$ 38,913,841</u>
Construction in Progress	\$ 19,852,383	\$ 3,170,928	\$ 21,902,811	\$ 1,120,500
Land	<u>558,736</u>	<u>--</u>	<u>--</u>	<u>558,736</u>
Total Non-depreciable Capital Assets	<u>\$ 20,411,119</u>	<u>\$ 3,170,928</u>	<u>\$ 21,902,811</u>	<u>\$ 1,679,236</u>

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE H - LONG-TERM LIABILITIES

A schedule of changes in the Hospital's long-term liabilities for the years ended June 30, 2015 and 2014 follows:

	<u>Balance 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2015</u>	<u>Current Portion</u>
Long-Term Debt:					
Bonds payable, USDA Rural Development	\$ 23,015,000	\$ --	\$ --	\$ 23,015,000	\$ 244,240
Net Pension Liability	<u>--</u>	<u>14,649,988</u>	<u>--</u>	<u>14,649,988</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 23,015,000</u>	<u>\$ 14,649,988</u>	<u>\$ --</u>	<u>\$ 37,664,988</u>	<u>\$ 244,240</u>
	<u>Balance 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 2014</u>	<u>Current Portion</u>
Long-Term Debt:					
Note payable, Midwest One Bank	\$ 1,967,984	\$ --	\$ 1,967,984	\$ --	\$ --
Note payable, US Bank	16,630,802	2,977,058	19,607,860	--	--
Bonds payable, USDA Rural Development	<u>--</u>	<u>23,015,000</u>	<u>--</u>	<u>23,015,000</u>	<u>--</u>
Total Long-Term Liabilities	<u>\$ 18,598,786</u>	<u>\$ 25,992,058</u>	<u>\$ 21,575,844</u>	<u>\$ 23,015,000</u>	<u>\$ --</u>

Total interest cost for the year ended June 30, 2015 was \$1,006,906 (\$647,465 in 2014). Interest of \$ - 0 - (\$96,209 in 2014) was capitalized as part of the cost of construction in progress.

Note Payable, Midwest One Bank

The note was in the name of the Mahaska Health Partnership through Midwest One Bank, Oskaloosa, Iowa office for the refinancing of the Series 2001 Bonds. Under terms of the note, principal and interest payments of \$105,441 were due monthly with an interest rate of 2.6%. The note matured with a balloon payment due January 15, 2014. It was refinanced from proceeds of the USDA Rural Development Bond. The Hospital had pledged all of its future revenues (net of certain expenses) to repay the note.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE H - LONG-TERM LIABILITIES - Continued

Note Payable, US Bank

In December, 2011, the Hospital issued \$21,250,000 of Hospital Revenue Notes. According to the Note documents, the Hospital drew the proceeds of the notes as construction progressed, up to an amount not exceeding \$21,250,000. The Hospital had drawn \$19,607,860 of the proceeds by January 21, 2014, at which time it was refinanced with the USDA Rural Development Bond. The note was in the name of Mahaska Health Partnership through US Bank, St. Louis, Missouri office to finance a portion of the construction and renovation of the existing facility. Under terms of the note, principal and interest payments were deferred until January 21, 2014 with interest being accumulated at 1.58%. The Hospital had pledged all of its future revenues (net of certain expenses) to repay the note.

Bonds Payable, USDA Rural Development

The bonds are in the name of the Mahaska Health Partnership through United States Department of Agriculture, Rural Development for the construction and renovation of the Hospital. Under terms of the bonds, interest only payments of \$83,909 are due monthly with an interest rate of 4.375% through January, 2016. Beginning February, 2016 principal and interest payments of \$132,402 are due monthly. The bonds mature January 21, 2039. The Hospital has pledged all of its future revenues (net of certain expenses) to repay the bonds.

The annual debt service on the bonds is expected to require less than 30% of cash flow available for debt service. For the current year, debt service and cash flow available for debt service were approximately \$1,007,000 and \$3,321,000, respectively.

Scheduled principal and interest repayments on long-term debt are as follows:

<u>Year Ending June 30,</u>	<u>Long-Term Debt</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 244,240	\$ 1,005,132	\$ 1,249,372
2017	604,632	984,192	1,588,824
2018	631,622	957,202	1,588,824
2019	659,815	929,009	1,588,824
2020	689,269	899,555	1,588,824
2021 - 2025	3,936,262	4,007,860	7,944,122
2026 - 2030	4,896,808	3,047,313	7,944,121
2031 - 2035	6,091,753	1,852,369	7,944,122
2036 - 2039	5,260,599	432,689	5,693,288
	<u>\$ 23,015,000</u>	<u>\$ 14,115,321</u>	<u>\$ 37,130,321</u>



MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE I - DEFERRED INFLOWS OF RESOURCES

The deferred inflows of resources include grant funding from the county public health department, succeeding year property tax, and pension plan earnings. The grant funds will be recognized as revenue when earned. The deferred succeeding property tax represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for that year. Pension earnings represents the net difference between projected and realized earnings on pension plan investments:

	2015	2014
Grant funding	\$ --	\$ 16,052
Deferred succeeding year property tax	1,808,000	1,807,000
Pension earnings	<u>5,764,942</u>	<u>--</u>
	<u>\$ 7,572,942</u>	<u>\$ 1,823,052</u>

NOTE J - PENSION PLAN

Plan Description - IPERS membership is mandatory for employees of the Hospital, except for those covered by another retirement system. Employees of the Hospital are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE J - PENSION PLAN - Continued

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the Hospital contributed 8.93% for a total rate of 14.88%.

The Hospital's contributions to IPERS for the year ended June 30, 2015 were \$2,315,817.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE J - PENSION PLAN - Continued

Net Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the Hospital reported a liability of \$14,649,988 for its proportionate share of the net pension liability. The Hospital net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's proportion of the net pension liability was based on the Hospital's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2014, the Hospital's proportion was 0.369107%, which was an increase of .073634% from its proportion measured as of June 30, 2013. For the year ended June 30, 2015, the Hospital recognized pension expense of \$1,886,982. At June 30, 2015, the Hospital reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 148,890	\$ --
Changes of assumptions	652,011	--
Net difference between projected and actual earnings on pension plan investments	--	5,764,942
Changes in proportion and differences between Hospital contributions and proportionate share of contributions	3,166,223	--
Hospital contributions subsequent to the measurement date	<u>2,315,817</u>	<u>--</u>
	<u>\$ 6,282,941</u>	<u>\$ 5,764,942</u>

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE J - PENSION PLAN - Continued

The \$2,315,817, reported as deferred outflows of resources related to pensions resulting from the Hospital contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2016	\$( 514,338)
2017	( 514,338)
2018	( 514,338)
2019	( 514,338)
2020	<u>259,534</u>
	<u><u>\$( 1,797,818)</u></u>

There were no non-employer contribution entities at IPERS.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2014)	3.00%
Salary increases (effective June 30, 2014)	4.00%, average, including inflation
Investment rate of return (effective June 30, 1996)	7.50% per annum, compounded annually, net of pension plan investment expense, including inflation

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE J - PENSION PLAN - Continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Asset Allocation	Long-Term Expected Real Rate of Return
US Equity	23%	6.31
Non US Equity	15	6.76
Private Equity	13	11.34
Real Estate	8	3.52
Core Plus Fixed Income	28	2.06
Credit Opportunities	5	3.67
TIPS	5	1.92
Other Real Assets	2	6.27
Cash	1	(0.69)
Total	100%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the Hospital will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Hospital's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Hospital's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Hospital's proportionate share of the net pension liability	\$ 28,064,511	\$ 14,649,988	\$ 3,327,134

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE J - PENSION PLAN - Continued

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

Payables to the Pension Plan - At June 30, 2015, the Hospital reported payables to the defined benefit pension plan of \$414,932 for legally required employer contributions and \$121,896 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

NOTE K - DEFERRED COMPENSATION PLAN

The Hospital sponsors a deferred compensation plan which is administered by an independent contractor under Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The Hospital's personnel department is responsible for the accounting, reconciliations and record keeping associated with employees' enrollment, payments to the plan through payroll deductions and timely transfer of withheld funds to the trustee designated by the participant for investment. The plan is designed so that each participant retains investment control of his/her individual account. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

The Hospital's fiduciary responsibility is limited to due care in selecting the plan administrator. The administrator is responsible for withholdings and W-2s when the participants receive payments. The administrator is also required to submit an annual report to the Hospital. The Hospital is liable to a participant only for income lost because of its failure to send payment of a deferred amount as directed by the participant.

The market value of the exclusive benefit plan assets at June 30, 2015 was \$446,592 (\$469,609 at June 30, 2014). This amount is not included in the financial statements since the Hospital does not own or hold in a trustee capacity the amounts deferred by employees and related income on those amounts.

NOTE L - OTHER POST EMPLOYMENT BENEFITS (OPEB)

**Plan Description:** As required by state law, the Hospital offers health insurance to former employees who have retired after age 55, but have not reached Medicare eligibility. The self-insured plan is a part of the plan offered to all Hospital employees, and the retirees must pay the full cost of the health insurance premium equal to that charged for current employees. There are approximately 315 active employees and 10 retirees currently covered by the plan.

**Funding Policy:** The Hospital does not set aside funds to pay for any OPEB liability. Any Hospital costs of an implicit health insurance premium rate subsidy are charged to expense in the year paid.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE L - OTHER POST EMPLOYMENT BENEFITS (OPEB) - Continued

Net OPEB Obligation: Management had an actuarial valuation performed dated October 18, 2013. The actuarial report noted the unfunded actuarial accrued liability to be \$78,103. The annual required contribution for the year end June 30, 2014 is \$16,003. Management of the Hospital considers this OPEB obligation to be immaterial and has not recorded this liability in its statements of net position.

NOTE M - COMMITMENTS AND CONTINGENCIES

Notes Receivable

The notes receivable represent funds advanced under agreements with physicians who have begun to practice in the community. The agreements include commitments by the physicians to provide medical services in the community for a specified period of years. In exchange for the commitments of time and services, the Hospital will forgive the notes over the terms of the commitments.

Risk Management

The Hospital is insured by a claims-made policy for protection against liability claims resulting from professional services provided or which should have been provided. Management believes that the malpractice insurance coverage is adequate to cover all asserted and any unasserted claims, therefore no related liability has been accrued. The Hospital is exposed to various other common business risks for which it is covered by commercial insurance. Settled claims from these risks have not exceeded insurance coverage during the past three years

Construction in Progress

Construction in progress at June 30, 2015 of \$1,363,198 consists of costs primarily related to the parking lot construction and Hospital Information System Migration. The total is expected to cost approximately \$1,400,000. The Hospital anticipates financing the construction project with internally generated funds.

Self-Funded Health Insurance

The Hospital has established a self-insured employee health insurance program. Under the self-insured plan, the Hospital pays claims up to maximum limits and carries stop loss insurance for claims in excess of the limits. At June 30, 2015, the Hospital has accumulated funds in excess of actual claims paid of \$714,240 (\$714,240 at June 30, 2014). These funds, shown under internally designated assets are to be used to pay claims as they are filed in the future. The estimated amount of unpaid claims at June 30, 2015 is \$280,000 (\$200,000 at June 30, 2014), which is reported under current liabilities.

Subsequent Event

Subsequent to year end, the Hospital entered into a contract for the purchase of surgical equipment. The equipment is estimated to cost approximately \$2,500,000. The equipment is being financed through the use of a five year capital lease.

The Hospital has evaluated all subsequent events through November 16, 2015, the date the financial statements were available to be issued.

MAHASKA HEALTH PARTNERSHIP  
Notes to Financial Statements  
June 30, 2015 and 2014

NOTE N - ACCOUNTING CHANGE/RESTATEMENT

Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27 was implemented during fiscal year 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, GASB No. 68 requires a state or local government employer to recognize a net pension liability and changes in the net pension liability, deferred outflows of resources and deferred inflows of resources which arise from other types of events related to pensions. During the transition year, as permitted beginning balances for deferred outflows of resources and deferred inflows of resources will not be reported, except for deferred outflows of resources related to contributions made after the measurement date of the beginning net pension liability which is required to be reported by Governmental Accounting Standards Board Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date. Beginning net position was restated to retroactively report the beginning net pension liability and deferred outflows of resources related to contributions made after the measurement date, as follows:

	<u>Net Position</u>
Net position June 30, 2014, as previously reported	\$ 34,696,567
Net pension liability at June 30, 2014	( 16,821,737)
Deferred outflows of resources related to contributions made after the July 30, 2013 measurement date	<u>2,231,900</u>
Net position July 1, 2014, as restated	<u>\$ 20,106,730</u>

\* \* \*



## REQUIRED SUPPLEMENTARY INFORMATION

MAHASKA HEALTH PARTNERSHIP  
Budgetary Comparison Schedule  
Year ended June 30, 2015

This budgetary comparison is presented as Required Supplementary Information in accordance with Government Auditing Standards. In accordance with the Code of Iowa, the Board of Trustees annually adopts a budget following the required public notice and hearings. The annual budget may be amended during the year utilizing similar statutorily-prescribed procedures. The following is a reconciliation between reported amounts and the modified accrual basis used to prepare the budget. The adjustments result from accounting for debt proceeds, principal, interest, capital purchases, depreciation, and net assets differently for financial statement and budget purposes.

	Per Financial Statements		
	Unrestricted Fund	Restricted Fund	Total
Amount raised by taxation	\$ 1,930,390	\$ --	\$ 1,930,390
Other revenues	<u>50,068,516</u> 51,998,906	<u>--</u> --	<u>50,068,516</u> 51,998,906
Expenses	<u>52,872,671</u>	<u>--</u>	<u>52,872,671</u>
Net	( 873,765)	--	( 873,765)
Balance beginning of year	<u>19,100,730</u>	<u>1,006,000</u>	<u>20,106,730</u>
Balance end of year	<u>\$ 18,226,965</u>	<u>\$ 1,006,000</u>	<u>\$ 19,232,965</u>

  

	Total Per Financial Statements	Budget Adjustments	Budget Basis	Adopted Budget
Amount raised by taxation	\$ 1,930,390	\$ --	\$ 1,930,390	\$ 1,806,726
Other revenues	<u>50,068,516</u> 51,998,906	<u>1,006,906</u> 1,006,906	<u>51,075,422</u> 53,005,812	<u>52,563,980</u> 54,370,706
Expenses	<u>52,872,671</u>	<u>( 247,767)</u>	<u>52,624,904</u>	<u>58,022,737</u>
Net	( 873,765)	1,254,673	380,908	( 3,652,031)
Balance beginning of year	<u>20,106,730</u>	<u>( 1,388,046)</u>	<u>18,718,684</u>	<u>18,718,684</u>
Balance end of year	<u>\$ 19,232,965</u>	<u>\$ ( 133,373)</u>	<u>\$ 19,099,592</u>	<u>\$ 15,066,653</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Schedule of the Hospital's Proportionate Share of the Net IPERS Pension Liability  
June 30, 2015

	<u>Required Information</u>
Hospital's proportion of the net pension liability	0.369107%
Hospital's proportionate share of the net pension liability	\$ 14,650,000
Hospital's covered-employee payroll	\$ 25,056,000
Hospital's proportionate share of the net pension liability as a percentage of its covered-employee payroll	58.47%
Plan fiduciary net position as a percentage of the total pension liability	87.61%

Note - GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Hospital will present information for those years for which information is available. The amounts presented are from the previous IPERS June 30 fiscal year. Amounts reported are rounded.

See accompanying independent auditor's report.

MAHASKA HEALTH PARTNERSHIP  
Schedule of Hospital IPERS Pension Contributions  
Year Ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Statutorily required contribution	\$ 2,316,000	\$ 2,238,000	\$ 1,722,000	\$ 1,460,000
Contributions in relation to the statutorily required contribution	<u>( 2,316,000)</u>	<u>( 2,238,000)</u>	<u>( 1,722,000)</u>	<u>( 1,460,000)</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Hospital's covered-employee payroll	\$ 25,933,000	\$ 25,056,000	\$ 19,860,000	\$ 19,872,000
Contributions as a percentage of covered-employee payroll	8.93%	8.93%	8.67%	7.35%

Note - Amounts reported are rounded.

See accompanying independent auditor's report.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,143,000	\$ 1,069,000	\$ 950,000	\$ 837,000	\$ 761,000	\$ 688,000
<u>( 1,143,000)</u>	<u>( 1,069,000)</u>	<u>( 950,000)</u>	<u>( 837,000)</u>	<u>( 761,000)</u>	<u>( 688,000)</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 18,162,000	\$ 17,109,000	\$ 15,811,000	\$ 14,590,000	\$ 13,773,000	\$ 12,837,000
6.29%	6.25%	6.01%	5.74%	5.53%	5.36%

MAHASKA HEALTH PARTNERSHIP  
Notes to Required Supplementary Information - Pension Liability  
Year Ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups - emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers - from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

MAHASKA HEALTH PARTNERSHIP  
Notes to Required Supplementary Information - Pension Liability  
Year Ended June 30, 2015

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs and deputies and protection occupation members.

\* \* \*

## SUPPLEMENTARY INFORMATION



MAHASKA HEALTH PARTNERSHIP  
Patient Receivables  
June 30,

Analysis of Aging:

<u>Days Since Discharge</u>	<u>2015</u>		<u>Not Restated 2014</u>	
	<u>Amount</u>	<u>Percent to Total</u>	<u>Amount</u>	<u>Percent to Total</u>
Hospital				
0 - 30	\$ 7,895,968	41.6%	\$ 9,161,110	53.8%
31 - 60	2,921,136	15.4	2,188,139	12.9
61 - 90	1,339,315	7.0	1,481,195	8.7
91 - 120	832,333	4.4	842,550	4.9
Over 121	<u>6,005,002</u>	<u>31.6</u>	<u>3,349,433</u>	<u>19.7</u>
	18,993,754	<u>100.0%</u>	17,022,427	<u>100.0%</u>
Less:				
Allowance for doubtful accounts	1,276,000		1,280,000	
Allowance for contractual adjustments	<u>4,762,000</u>		<u>3,501,000</u>	
	<u>\$ 12,955,754</u>		<u>\$ 12,241,427</u>	

Allowance for Doubtful Accounts:

	<u>Year Ended June 30,</u>	
	<u>2015</u>	<u>Not Restated 2014</u>
Balance, beginning	\$1,280,000	\$ 619,000
Provision for bad debts	2,436,473	2,646,879
Recoveries of accounts previously written off	<u>468,158</u>	<u>432,712</u>
	4,184,631	3,698,591
Accounts written off	<u>2,908,631</u>	<u>2,418,591</u>
Balance, ending	<u>\$1,276,000</u>	<u>\$1,280,000</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Inventory/Prepaid Expense  
June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
<u>Inventory</u>		
Store room	\$ 70,651	\$ 135,244
Dietary	12,739	14,355
Pharmacy	272,584	249,356
Laboratory	92,327	84,519
Operating room	649,207	674,358
Radiology	<u>5,628</u>	<u>6,039</u>
	<u>\$ 1,103,136</u>	<u>\$ 1,163,871</u>
 <u>Prepaid Expense</u>		
Insurance	\$ --	\$ 101,919
Dues and contracts	<u>169,107</u>	<u>91,488</u>
	<u>\$ 169,107</u>	<u>\$ 193,407</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Patient Service Revenue  
Year ended June 30,

	2015	
	Inpatient	Outpatient
Daily Patient Services:		
Medical and surgical	\$ 4,092,146	\$ 1,467,661
Coronary care	12,208	--
Nursery	374,463	--
Obstetrics	574,167	61,101
Swing bed	--	--
Vision Quest	2,315,957	22,512
	<u>7,368,941</u>	<u>1,551,274</u>
Other Nursing Services:		
Operating and recovery rooms	1,487,618	6,990,621
Delivery and labor rooms	514,661	181,393
Central services and supply	3,264,537	1,625,941
Wound/ostomy care	4,770	93,996
Emergency services	113,437	4,941,823
Cardiac rehabilitation and stress test	9,895	323,502
	<u>5,394,918</u>	<u>14,157,276</u>
Other Professional Services:		
Emergency room physicians	39,461	2,831,235
Laboratory	1,267,838	9,444,859
Radiology	125,502	2,164,834
Ultrasound	85,599	755,614
Nuclear scanning	3,365	115,991
MRI scanning	216,274	1,957,008
CT scanning	423,066	4,042,885
Outsourced services	230,731	956,671
Pharmacy	2,648,360	5,940,431
Oncology	--	412,370
Anesthesiology	918,593	1,983,818
Respiratory therapy	1,373,430	1,064,059
Physical therapy	250,324	1,752,169
Occupational therapy	141,037	170,461
Speech therapy	4,633	31,412
Durable medical equipment	--	258,490
Massage therapy	7,326	39,721
Ambulance	6,622	2,270,708
Community health	--	1,434,836
Hospice	361,913	437,504
Occupational health	--	137,258
New Directions	60,080	1,809,821
Hospitalist	666,174	206,842
Physician clinics	4,186,005	11,827,994
	<u>13,016,333</u>	<u>52,046,991</u>
	<u>\$ 25,780,192</u>	<u>\$ 67,755,541</u>

See Independent Auditor's Report.

2015		Not Restated 2014
Swing Bed	Total	Total
\$ --	\$ 5,559,807	\$ 4,772,109
--	12,208	146,582
--	374,463	341,601
--	635,268	558,989
505,775	505,775	578,281
--	2,338,469	2,334,832
<u>505,775</u>	<u>9,425,990</u>	<u>8,732,394</u>
6,748	8,484,987	7,957,917
--	696,054	572,580
14,203	4,904,681	4,570,815
1,908	100,674	106,271
288	5,055,548	4,513,394
--	333,397	346,554
<u>23,147</u>	<u>19,575,341</u>	<u>18,067,531</u>
--	2,870,696	2,626,000
70,160	10,782,857	9,370,209
6,826	2,297,162	2,408,283
2,560	843,773	773,660
--	119,356	103,443
--	2,173,282	1,944,038
2,966	4,468,917	4,121,447
14,487	1,201,889	949,761
307,047	8,895,838	6,761,510
--	412,370	310,225
4,063	2,906,474	2,638,826
164,176	2,601,665	2,283,232
82,474	2,084,967	1,723,391
41,563	353,061	358,951
1,903	37,948	40,039
--	258,490	152,709
--	47,047	29,979
543	2,277,873	2,363,666
--	1,434,836	1,377,838
--	799,417	1,128,012
--	137,258	223,495
--	1,869,901	1,889,242
87,464	960,480	966,728
--	16,013,999	15,721,085
<u>786,232</u>	<u>65,849,556</u>	<u>60,265,769</u>
<u>\$ 1,315,154</u>	<u>\$ 94,850,887</u>	<u>\$ 87,065,694</u>

MAHASKA HEALTH PARTNERSHIP  
Revenue and Related Adjustments  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
<u>Net Patient Service Revenue</u>		
Patient service revenue	\$ 94,850,887	\$ 87,065,694
Contractual adjustments	( 43,712,956)	( 35,265,788)
Charity care	( 275,558)	( 525,241)
Provision for bad debts	<u>( 2,436,473)</u>	<u>( 2,646,879)</u>
	<u>\$ 48,425,900</u>	<u>\$ 48,627,786</u>
 <u>Other Revenue</u>		
Cafeteria	\$ 249,189	\$ 266,492
Medical record transcripts	20,275	11,784
Outpatient clinics	92,569	89,261
Dietary services	72,278	71,696
Retail pharmacy income, net	941,142	637,804
Noncapital grants	339,357	411,611
Miscellaneous	<u>191,162</u>	<u>245,137</u>
	<u>\$ 1,905,972</u>	<u>\$ 1,733,785</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Nursing Service Expenses  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Administrative:		
Salaries and wages	\$ 352,964	\$ 328,921
Employee benefits	51,092	51,636
Supplies and other expense	<u>16,000</u>	<u>12,165</u>
	420,056	392,722
Medical and Surgical:		
Salaries and wages	2,401,011	2,429,429
Employee benefits	398,310	383,051
Supplies and other expense	<u>208,283</u>	<u>230,090</u>
	3,007,604	3,042,570
Obstetrics:		
Salaries and wages	695,548	727,544
Employee benefits	116,737	116,236
Supplies and other expense	<u>119,243</u>	<u>94,617</u>
	931,528	938,397
Vision Quest:		
Salaries and wages	928,755	867,925
Employee benefits	148,094	135,769
Purchased services	8,186	6,774
Supplies and other expense	<u>41,371</u>	<u>111,852</u>
	1,126,406	1,122,320
Operating and Recovery Rooms:		
Salaries and wages	868,423	863,305
Employee benefits	140,805	137,692
Supplies and other expense	<u>681,329</u>	<u>659,549</u>
	1,690,557	1,660,546
Central Services and Supply:		
Supplies and other expense	2,314,405	2,063,741

(continued next page)

MAHASKA HEALTH PARTNERSHIP  
Nursing Service Expenses - Continued  
Year ended June 30,

	<u>2015</u>	Not Restated <u>2014</u>
Wound/Ostomy Care:		
Salaries and wages	\$ 31,434	\$ 35,671
Employee benefits	5,120	5,878
Supplies and other expense	<u>7,028</u>	<u>10,605</u>
	43,582	52,154
Emergency Services:		
Salaries and wages	1,255,390	1,177,386
Employee benefits	203,413	190,472
Supplies and other expense	<u>138,383</u>	<u>109,153</u>
	1,597,186	1,477,011
Cardiac Rehabilitation:		
Salaries and wages	147,753	66,479
Employee benefits	26,366	10,648
Supplies and other expense	<u>42,458</u>	<u>25,146</u>
	<u>216,577</u>	<u>102,273</u>
	<u>\$ 11,347,901</u>	<u>\$ 10,851,734</u>

SUMMARY

Salaries and wages	\$ 6,681,278	\$ 6,496,660
Employee benefits	1,089,937	1,031,382
Supplies and other expense	<u>3,576,686</u>	<u>3,323,692</u>
	<u>\$ 11,347,901</u>	<u>\$ 10,851,734</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Other Professional Service Expenses  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Emergency Room Physicians:		
Salaries and wages	\$ 1,391,788	\$ 1,167,821
Employee benefits	174,377	150,332
Professional fees	52,450	26,030
Supplies and other expense	<u>13,423</u>	<u>20,958</u>
	1,632,038	1,365,141
Laboratory:		
Salaries and wages	585,827	589,321
Employee benefits	94,842	90,968
Purchased services	512,589	456,918
Supplies and other expense	<u>857,437</u>	<u>843,283</u>
	2,050,695	1,980,490
Oncology:		
Salaries and wages	176,441	162,111
Employee benefits	28,346	25,536
Supplies and other expense	<u>28,190</u>	<u>11,134</u>
	232,977	198,781
Radiology and Ultrasound:		
Salaries and wages	705,716	678,508
Employee benefits	112,801	108,114
Supplies and other expense	<u>500,435</u>	<u>565,095</u>
	1,318,952	1,351,717
Outsourced Services:		
Purchased services	275,878	262,496
Supplies and other expense	<u>12</u>	<u>--</u>
	275,890	262,496
Pharmacy:		
Salaries and wages	346,866	268,042
Employee benefits	53,765	41,939
Drugs and other expense	<u>2,152,346</u>	<u>1,579,407</u>
	2,552,977	1,889,388

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MAHASKA HEALTH PARTNERSHIP  
Other Professional Service Expenses - Continued  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Anesthesiology:		
Salaries and wages	\$ 731,545	\$ 599,316
Employee benefits	72,386	69,819
Supplies and other expense	<u>78,470</u>	<u>73,723</u>
	882,401	742,858
Respiratory Therapy:		
Salaries and wages	295,753	420,081
Employee benefits	47,264	65,144
Professional fees	4,400	13,704
Supplies and other expense	<u>38,501</u>	<u>79,276</u>
	385,918	578,205
Physical Therapy:		
Professional fees	864,808	792,257
Supplies and other expense	<u>31,381</u>	<u>28,691</u>
	896,189	820,948
Speech Therapy:		
Salaries and wages	17,374	28,309
Employee benefits	2,914	4,758
Supplies and other expense	<u>498</u>	<u>1,705</u>
	20,786	34,772
Occupational Therapy:		
Professional fees	146,125	165,300
Supplies and other expense	<u>3,222</u>	<u>4,003</u>
	149,347	169,303
Ambulance:		
Salaries and wages	116,955	115,772
Employee benefits	20,266	19,879
Purchased services	--	3,140
Supplies and other expense	<u>39,573</u>	<u>56,543</u>
	176,794	195,334
Community Health:		
Salaries and wages	848,960	850,201
Employee benefits	134,916	136,227
Purchased services	165,120	160,319
Supplies and other expense	<u>137,481</u>	<u>148,198</u>
	1,286,477	1,294,945

(continued next page)

MAHASKA HEALTH PARTNERSHIP  
Other Professional Service Expenses - Continued  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Hospice:		
Salaries and wages	\$ 877,132	\$ 910,146
Employee benefits	142,899	143,974
Supplies and other expense	<u>220,443</u>	<u>273,607</u>
	1,240,474	1,327,727
Medical Records:		
Salaries and wages	787,622	804,549
Employee benefits	130,845	124,978
Supplies and other expense	<u>200,836</u>	<u>110,589</u>
	1,119,303	1,040,116
Physician Clinics:		
Salaries and wages	7,617,679	7,216,184
Employee benefits	906,182	937,726
Supplies and other expense	<u>457,802</u>	<u>808,790</u>
	8,981,663	8,962,700
Outpatient Clinics:		
Supplies and other expense	705	5,174
Dietician Services:		
Salaries and wages	65,837	65,534
Employee benefits	10,522	10,523
Supplies and other expense	<u>1,034</u>	<u>461</u>
	77,393	76,518
New Directions:		
Salaries and wages	1,317,854	1,136,035
Employee benefits	206,168	179,699
Purchased services	16,324	13,384
Supplies and other expense	<u>63,912</u>	<u>80,898</u>
	1,604,258	1,410,016
Hospitalist:		
Salaries and wages	724,650	852,131
Employee benefits	93,450	103,435
Supplies and other expense	<u>8,981</u>	<u>10,779</u>
	827,081	966,345

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MAHASKA HEALTH PARTNERSHIP  
Other Professional Service Expenses - Continued  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Occupational Health:		
Salaries and wages	\$ 131,577	\$ 137,942
Employee benefits	20,854	21,952
Purchased services	4,552	13,386
Supplies and other expense	<u>47,938</u>	<u>27,041</u>
	204,921	200,321
Employee Health:		
Salaries and wages	31,161	27,229
Employee benefits	4,446	4,258
Supplies and other expense	<u>20,966</u>	<u>8,695</u>
	56,573	40,182
Durable Medical Equipment:		
Salaries and wages	50,979	43,760
Employee benefits	8,159	7,048
Supplies and other expense	<u>100,732</u>	<u>83,343</u>
	159,870	134,151
Massage Therapy:		
Salaries and wages	52,494	53,334
Employee benefits	8,728	8,619
Supplies and other expense	<u>2,000</u>	<u>2,368</u>
	<u>63,222</u>	<u>64,321</u>
	<u>\$ 26,196,904</u>	<u>\$ 25,111,949</u>

SUMMARY

Salaries and wages	\$ 16,874,210	\$ 16,126,326
Employee benefits	2,274,130	2,254,928
Professional fees	1,067,783	997,291
Supplies and other expense	<u>5,980,781</u>	<u>5,733,404</u>
	<u>\$ 26,196,904</u>	<u>\$ 25,111,949</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
General Service Expenses  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Dietary:		
Salaries and wages	\$ 403,755	\$ 388,121
Employee benefits	63,044	61,075
Food	407,766	388,218
Supplies and other expense	<u>68,570</u>	<u>190,724</u>
	943,135	1,028,138
Operation of Plant:		
Salaries and wages	339,454	364,897
Employee benefits	56,040	58,284
Utilities	562,995	614,511
Supplies and other expense	<u>373,666</u>	<u>507,117</u>
	1,332,155	1,544,809
Environmental Services:		
Salaries and wages	402,259	329,332
Employee benefits	62,044	53,454
Supplies and other expense	<u>67,948</u>	<u>68,118</u>
	532,251	450,904
Laundry and Linen:		
Salaries and wages	90,134	80,249
Employee benefits	14,012	13,434
Supplies and other expense	<u>35,318</u>	<u>40,332</u>
	<u>139,464</u>	<u>134,015</u>
	<u>\$ 2,947,005</u>	<u>\$ 3,157,866</u>

SUMMARY

Salaries and wages	\$ 1,235,602	\$ 1,162,599
Employee benefits	195,140	186,247
Supplies and other expense	<u>1,516,263</u>	<u>1,809,020</u>
	<u>\$ 2,947,005</u>	<u>\$ 3,157,866</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Fiscal and Administrative Service Expenses  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Administrative:		
Salaries and wages	\$ 2,538,817	\$ 2,453,819
Employee benefits	418,336	376,554
Professional fees	196,453	178,192
Supplies and other expense	632,268	441,109
Purchased services	240,781	248,030
Travel and education	44,431	25,049
Telephone	7,882	9,467
Dues, subscriptions and licenses	67,183	62,156
Collection fees	<u>122,062</u>	<u>142,920</u>
	4,268,213	3,937,296
Information Systems:		
Salaries and wages	380,828	384,744
Employee benefits	60,579	60,371
Purchased services	311,867	308,754
Supplies and other expense	<u>295,568</u>	<u>334,360</u>
	1,048,842	1,088,229
Purchasing:		
Salaries and wages	181,939	181,944
Employee benefits	28,658	27,776
Supplies and other expense	<u>65,893</u>	<u>78,610</u>
	276,490	288,330
Public Relations:		
Salaries and wages	162,329	151,720
Employee benefits	25,906	24,362
Supplies and other expense	<u>220,543</u>	<u>226,446</u>
	408,778	402,528
Human Resources:		
Salaries and wages	204,607	197,169
Employee benefits	32,722	31,294
Purchased services	19,635	19,488
Supplies and other expense	<u>28,894</u>	<u>39,466</u>
	285,858	287,417

(continued next page)

MAHASKA HEALTH PARTNERSHIP  
Fiscal and Administrative Service Expenses - Continued  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Employee Welfare:		
Unemployment tax	\$ 13,018	\$ 59,376
Group health and life insurance	2,205,627	2,312,742
Workers' compensation insurance	307,964	291,243
Pension related costs	( 457,848)	--
	<u>2,068,761</u>	<u>2,663,361</u>
Insurance:		
Insurance and bonding expense	<u>533,106</u>	<u>409,197</u>
	<u>\$ 8,890,048</u>	<u>\$ 9,076,358</u>

SUMMARY

Salaries and wages	\$ 3,468,520	\$ 3,369,396
Employee benefits	2,634,962	3,183,718
Professional fees	196,453	178,192
Supplies and other expense	<u>2,590,113</u>	<u>2,345,052</u>
	<u>\$ 8,890,048</u>	<u>\$ 9,076,358</u>

SUMMARY OF EXPENSES

Salaries and wages	\$ 28,259,610	\$ 27,154,981
Employee benefits	6,194,169	6,656,275
Professional fees	1,264,236	1,175,483
Supplies and other expense	<u>13,663,843</u>	<u>13,211,168</u>
	<u>\$ 49,381,858</u>	<u>\$ 48,197,907</u>

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Comparative Statistics  
Year ended June 30,

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Acute Care:					
Admissions	1,382	1,239	1,092	1,094	1,208
Discharges	1,384	1,227	1,091	1,100	1,206
Patient days	4,341	3,985	3,593	3,616	3,954
Average length of stay	3.14	3.25	3.29	3.29	3.28
Average occupied beds	11.9	10.9	9.8	9.9	10.8
Vision Quest:					
Admissions	108	119	114	134	149
Discharges	107	120	114	134	150
Patient days	1,715	1,854	1,665	1,778	1,996
Average length of stay	16.03	15.48	14.61	13.27	13.31
Average occupied beds	4.7	5.1	4.7	4.9	5.5
Swing Bed:					
Admissions	153	212	248	257	314
Discharges	155	211	248	258	313
SNF days	817	1,069	1,297	1,591	1,616
Combined Average Occupied Beds	18.8	18.9	18.0	19.1	20.7
Nursery Days	486	461	399	357	425
Hospice House Days	874	910	978	1,069	876
Home Health Visits	18,041	16,989	16,418	14,798	16,126
Outpatient Occasions of Service	208,826	196,046	137,115	113,403	102,134

See Independent Auditor's Report.

MAHASKA HEALTH PARTNERSHIP  
Comparative Statements of Net Position  
June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Current Assets:		
Cash	\$ 2,129,500	\$ 1,073,128
Receivables, net	13,195,428	12,782,095
Inventory	1,103,136	1,163,871
Prepaid expense	169,107	193,407
Estimated third-party payor settlements	--	--
Succeeding year property tax receivable	1,808,000	1,807,000
Internally designated assets	<u>551,706</u>	<u>211,054</u>
Total current assets	18,956,877	17,230,555
Other Assets:		
Designated and restricted assets, net	4,059,669	5,294,168
Capital assets, net	39,284,816	40,593,077
Other assets	<u>1,074,160</u>	<u>1,080,104</u>
Total other assets	44,418,645	46,967,349
Deferred Outflows of Resources - Pension	<u>6,282,941</u>	<u>--</u>
Total assets and deferred outflows of resources	<u>\$ 69,658,463</u>	<u>\$ 64,197,904</u>
Current Liabilities:		
Current maturities of long-term debt	\$ 244,240	\$ --
Accounts payable	550,608	860,261
Accrued expenses	3,813,960	3,408,024
Estimated third-party payor settlements	<u>823,000</u>	<u>395,000</u>
Total current liabilities	5,431,808	4,663,285
Long-Term Liabilities:		
Long-term debt, net	22,770,760	23,015,000
Net pension liability	<u>14,649,988</u>	<u>--</u>
Total liabilities	42,852,556	27,678,285
Deferred Inflows of Resources	7,572,942	1,823,052
Net Position	<u>19,232,965</u>	<u>34,696,567</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 69,658,463</u>	<u>\$ 64,197,904</u>

See Independent Auditor's Report.



	Not Restated		
	2013	2012	2011
\$	2,303,763	\$ 1,483,346	\$ 3,281,325
	8,149,052	7,289,679	6,556,588
	1,122,398	1,145,220	1,174,046
	164,560	136,619	158,581
	94,000	--	--
	1,800,000	1,800,000	1,790,000
	1,200,000	1,200,000	1,080,000
	<u>14,833,773</u>	<u>13,054,864</u>	<u>14,040,540</u>
	4,835,025	4,797,187	5,382,324
	40,526,354	29,599,675	24,049,490
	270,224	129,561	93,187
	<u>45,631,603</u>	<u>34,526,423</u>	<u>29,525,001</u>
	<u>--</u>	<u>--</u>	<u>--</u>
\$	<u>60,465,376</u>	<u>\$ 47,581,287</u>	<u>\$ 43,565,541</u>
\$	2,223,892	\$ 1,194,508	\$ 876,317
	1,968,355	2,995,677	689,501
	2,978,478	2,367,954	2,341,136
	--	270,000	718,000
	<u>7,170,725</u>	<u>6,828,139</u>	<u>4,624,954</u>
	16,374,894	5,550,607	4,592,193
	--	--	--
	<u>23,545,619</u>	<u>12,378,746</u>	<u>9,217,147</u>
	2,198,072	1,800,000	1,790,000
	<u>34,721,685</u>	<u>33,402,541</u>	<u>32,558,394</u>
\$	<u>60,465,376</u>	<u>\$ 47,581,287</u>	<u>\$ 43,565,541</u>

MAHASKA HEALTH PARTNERSHIP  
Comparative Statements of Revenues and Expenses  
Year ended June 30,

	<u>2015</u>	<u>Not Restated 2014</u>
Patient Service Revenue	\$ 94,850,887	\$ 87,065,694
Adjustments to Patient Service Revenue	<u>( 46,424,987)</u>	<u>( 38,437,908)</u>
Net Patient Service Revenue	48,425,900	48,627,786
Other Revenue	<u>1,905,972</u>	<u>1,733,785</u>
Total Revenue	50,331,872	50,361,571
Expenses	<u>52,872,671</u>	<u>51,241,204</u>
Operating Loss	( 2,540,799)	( 879,633)
Non-Operating Revenue, net	1,167,034	854,515
Capital Grants and Contributions	<u>500,000</u>	<u>--</u>
Excess of Revenues Over (Under) Expenses	<u><u>\$ ( 873,765)</u></u>	<u><u>\$ ( 25,118)</u></u>

See Independent Auditor's Report.

	Not Restated	
<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 71,116,127	\$ 63,650,838	\$ 59,617,463
<u>( 31,701,849)</u>	<u>( 27,500,741)</u>	<u>( 25,855,261)</u>
39,414,278	36,150,097	33,762,202
<u>598,992</u>	<u>373,521</u>	<u>390,732</u>
40,013,270	36,523,618	34,152,934
<u>41,016,468</u>	<u>37,609,644</u>	<u>34,963,123</u>
( 1,003,198)	( 1,086,026)	( 810,189)
2,322,342	1,930,173	2,429,936
<u>--</u>	<u>--</u>	<u>548,966</u>
<u>\$ 1,319,144</u>	<u>\$ 844,147</u>	<u>\$ 2,168,713</u>

## COMMENTS AND RECOMMENDATIONS

# Gronewold, Bell, Kyhnn & Co. P.C.

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Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Board of Trustees  
Mahaska Health Partnership  
Oskaloosa, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Mahaska Health Partnership, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Mahaska Health Partnership's basic financial statements and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Mahaska Health Partnership's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Mahaska Health Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of the Mahaska Health Partnership's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 15-I-A.

To the Board of Trustees  
Mahaska Health Partnership

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Mahaska Health Partnership's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. Item 15-II-B is a required statutory disclosure.

### Responses to Findings

Mahaska Health Partnership's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Mahaska Health Partnership's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

 Ben Kuhn & Co. P.C.

Atlantic, Iowa  
November 16, 2015

MAHASKA HEALTH PARTNERSHIP  
Schedule of Findings and Responses  
Year ended June 30, 2015

PART I - INTERNAL CONTROL DEFICIENCIES

15-I-A Segregation of Duties: A limited number of people have the primary responsibility for most of the accounting and financial duties. As a result, some of those aspects of internal accounting control which rely upon an adequate segregation of duties are, for all practical purposes, missing in the Hospital. This deficiency is common among most small rural Hospitals.

Recommendation: We recognize that it may not be economically feasible for the Hospital to employ additional personnel for the sole purpose of segregating duties, however, it is our professional responsibility to bring this control deficiency to your attention. We recommend that the Board be aware of the lack of segregation of duties and that they act as an oversight group to the accounting personnel.

Response: The Board is aware of this lack of segregation of duties, but it is not economically feasible for the Hospital to employ additional personnel for this reason. The Board will continue to act as an oversight group.

Conclusion: Response accepted.

\* \* \*

PART II - REQUIRED STATUTORY REPORTING

15-II-A Certified Budget: Hospital expenditures during the year ended June 30, 2015 did not exceed amounts budgeted.

15-II-B Questionable Expenditures: During the audit, we noted a certain expenditure approved in the Board minutes that may not meet the requirements of public purpose as defined in the Attorney General's opinion dated April 25, 1979. The expense was as follows:

<u>Paid to</u>	<u>Purpose</u>	<u>Amount</u>
Bradbury Hall, William Penn, The Snacks, Oskaloosa Chamber	Employee recognition banquet	\$ 7,164

Recommendation: We recommend that the Board continue to document the public purpose of such an expenditure before authorization is given.

Response: The expenditure is considered part of the employee benefit package and the Board feels it meets the requirements of public purpose as defined by the Attorney General's opinion dated April 25, 1979.

Conclusion: Response accepted.

MAHASKA HEALTH PARTNERSHIP  
Schedule of Findings and Responses - Continued  
Year ended June 30, 2015

PART II - REQUIRED STATUTORY REPORTING - Continued

15-II-C Travel Expense: No expenditures of Hospital money for travel expenses of spouses of Hospital officials and/or employees were noted.

15-II-D Business Transactions: During our audit, we noted no business transactions with Hospital employees or officials.

15-II-E Board Minutes: No transactions were found that we believe should have been approved in the Board minutes but were not.

15-II-F Deposits and Investments: We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the Hospital's investment policy.

\* \* \*